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STATE OF NORTH CAROLINA,
COUNTY OF WAKE

WAKE CO., C.S. IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION

19 CVS 4518

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STATE OF NORTH CAROLINA *ex rel.*
JOSHUA H. STEIN, Attorney General,

Plaintiff,

v.

JAMES MORRIS STALLINGS, III, and
J.S. ENTERPRISES OF SWANSBORO,
LLC,

Defendants.

FINAL ORDER BY CONSENT

Plaintiffs, the State of North Carolina, *ex rel.* Joshua H. Stein, Attorney General, (the "State"), and Defendants James Morris Stallings, III and J.S. Enterprises of Swansboro, LLC (collectively "Defendants") hereby consent to entry of final judgment in this matter as embodied in this Final Order By Consent ("Consent Order") to resolve these matters and to avoid the time, expense, and uncertainty associated with continuing litigation, and any related litigation or appeals, without further trial or adjudication.

The Court, having considered this matter and being otherwise fully advised in the premises, DOES HEREBY FIND, CONCLUDE, ORDER, and ADJUDGE, as follows:

I. PARTIES SUBJECT TO CONSENT ORDER

1. This Consent Order is entered pursuant to North Carolina's Unfair and Deceptive Practices Act, N.C. Gen. Stat. § 75-1.1, *et seq.* Unless otherwise provided, this Consent Order shall apply to Defendants and their agents, servants, employees, officers, members, directors,

affiliates, subsidiaries, representatives, trustees, attorneys, successors, heirs, and assignees, and any other person acting under their direction and control, including through any corporation, trust, or other device, and it shall constitute a continuing obligation.

2. All parties are entering into this Consent Order for the purpose of compromising and resolving disputed claims and to avoid the expense of further litigation. It is expressly understood that nothing contained in this Consent Order shall be construed as an admission by Defendants of any liability, wrongdoing, or factual or legal issue, and this Consent Order may not be used as evidence of liability. This Consent Order is not intended to be used or admissible in any unrelated administrative, civil, or criminal proceeding. Defendants do not waive any defenses they may raise elsewhere in other litigation.

II. DEFINITIONS

1. For purposes of this Consent Order, the following terms shall have the following meanings:

a. "Acquisition" or "Acquire" shall mean gaining possession and/or control of real property and any improvements thereon, regardless of whether such property is otherwise encumbered by any lien, easement or other claim.

b. "Books and Records" shall mean written, computerized, programmed, recorded or graphic materials, regardless of whether claimed to be privileged, including but not limited to: all of Defendants' property records, transaction records, accounting records, vendor invoices, profit and loss reports, expense reports, utility bills, receipts, bank account statements, mortgage statements, escrow reports, marketing materials, advertising materials. Consumer agreements, form documents, business ledgers and accounts, business

policies and procedures, deeds, promissory notes, legal filings, security instruments, evidence of debts, accounts receivable, accounts payable, trust documents, affidavits, letters, correspondence, text messages, facsimiles, voice mails, emails, memoranda, reports, studies, summaries, analyses, bulletins, circulars, instructions, notes, and notes of telephone or personal conversations and conferences, minutes, worksheets, contracts, charts, photographs, tax listings, tax returns, 1099s, receipts, orders, working papers, worksheets, calendars, appointment books, and all other data compilations or information resources from which information can be obtained or translated into reasonably usable form.

c. "Claim" and "Consumer Claim" shall mean a Consumer request for remediation submitted pursuant to the terms of this Consent Order.

d. "Commercially Reasonable Best Efforts" means to take all reasonable steps to market and advertise the availability of property for sale, to solve problems and remove impediments in facilitating and consummating a sale transaction, and to consummate the sale transaction as expeditiously as feasibly possible.

e. "Consumer" shall mean and include a natural person, individual, partnership, corporation, trust, estate, incorporated or unincorporated association, and any other legal or commercial entity however organized.

f. "Effective Date" shall mean the date this Consent Order is entered by the Court.

g. "Defendants" shall mean J.S. Enterprises of Swansboro, LLC, and James Morris Stallings, III, and agents, employees, members, successors and/or assigns thereof.

h. "Street Smart" and "Trust Associates" shall mean any and all real estate, trust creation, or other business marketing, operations, or planning materials created, marketed, licensed, used or registered by Louis D. Brown, or any entity associated or affiliated in any way with Louis D. Brown, including, but not limited to: Street Smart®, Certified Affordable Housing Provider®, Path To Home Ownership®, The Whole Enchilada®, House Monster®, and Millionaire Jump Start®.

III. FINDINGS OF FACT

1. Defendants are engaged in the business of buying, selling and leasing real property in North Carolina.

2. The State alleges that Defendants violated the North Carolina Unfair and Deceptive Trade Acts and Practices Act, N.C. Gen. Stat. §75-1.1, through acts which include, but are not limited to, engaging in false and deceptive advertising regarding real property purchase and lease-to-own transactions, leasing residential property to consumers in violation of Chapter 42 of the North Carolina General Statutes, using fraudulent land trusts to effectuate deceptive and illegal purchases of real property, and engaging in the unlicensed practice of law in furtherance of their unfair and deceptive business practices.

3. Defendants acknowledge the State's allegations above and waive any further dispute hereto in this matter. Defendants deny the allegations, but the parties, in order to resolve the matter without further litigation, have stipulated to the terms set forth below.

4. The undersigned parties consent hereto.

IV. CONCLUSIONS OF LAW

1. This Court has jurisdiction over the parties and the subject matter.
2. The Court approves the terms of the parties' agreement and hereby adopts them as its own determination of this matter and the parties' respective rights and obligations.
3. Entry of this Consent Order is just and reasonable with respect to all parties and is in the interests of justice.
4. The provisions of the Consent Order shall be enforceable by the Court, including by contempt proceedings and as provided in N.C. Gen. Stat. § 75-15.2.
5. The parties waive the entry of further findings and conclusions in support of this Consent Order.

V. GENERAL PROVISIONS

1. Defendants shall be jointly and severally liable for the relief granted in this Consent Order.
2. The parties agree to the appointment of an independent Monitor to oversee compliance with this Consent Order.
 - a. The parties have designated the Honorable Gary E. Trawick (Ret.) to serve as the Monitor (hereafter the "Monitor").
 - b. Defendants shall pay the Monitor's reasonable fees and costs for the monitorship. Reasonable fees and costs will take into account Defendant J.S. Enterprises' circumstances and will not include unwarranted and disproportionate expenses.

c. In order for the Monitor to determine compliance with this Consent Order and evaluate Consumer Claims:

- i. Contemporaneous with the entry of this Consent Order, Defendants shall furnish to the State and to the Monitor all necessary Consumer information required in order to identify every Consumer with whom Defendants have engaged in a lease, lease-to-own, contract for deed, and/or purchase transaction between January 1, 2013 and the Effective Date of this Consent Order, including each Consumers' name, last known telephone number(s), physical address, and email address;
- ii. Contemporaneous with the entry of this Consent Order, Defendants shall furnish to the State and to the Monitor all necessary Consumer information required in order to notify every Consumer eligible for specific relief as detailed in Sections VI and VII of this Consent Order, including each Consumers' name, last known telephone number(s), physical address, and email address;
- iii. The Monitor shall have access to Defendant J.S. Enterprises' Books and Records at reasonable times upon reasonable request. Refusal of any such request shall set forth the reason for the refusal in writing, which shall be furnished to the parties within three days of such refusal; and,
- iv. Defendants shall provide to the Monitor any and all documentation necessary to demonstrate that they are engaged in Commercially

Reasonable Best Efforts to sell or refinance real property pursuant to Section VII, below.

d. Before entering into a transaction with a Consumer, Defendants shall present the proposed transaction to the Monitor. When requesting review of a proposed transaction, Defendants shall stipulate the length of the review period, which shall not consist of less than three business days. The Monitor shall review the transaction for compliance with this Consent Order, N.C. Gen. Stat. § 75-1.1, *et seq.*, N.C. Gen. Stat. Chapter 42, N.C. Gen. Stat. Chapter 47G, N.C. Gen. Stat. Chapter 47H, and other applicable law. If the Monitor finds that the transaction is in compliance with this Consent Order and applicable law, he shall approve the transaction. If the Monitor finds that the transaction is not in compliance with this Consent Order and applicable law, he may suggest changes to the transaction to bring it within compliance, and if Defendants agree to such changes he shall approve the transaction.

e. If the Monitor declines to approve a transaction, Defendants shall have the right to petition the Court for a determination of whether the transaction complies with this Consent Order and applicable law.

f. The Monitor shall remain in place for a period of not less than 12 months from the entry of this Consent Order. The Court may extend the term of the Monitor's oversight for an additional period of not more than 12 months upon the North Carolina Attorney General's Office petition showing good cause to extend the Monitor's oversight. Such petition must be filed at least 30 days before the expiration of the 12-month period.

g. The Monitor shall review all Consumer Claims for remediation from the restitution fund established in paragraph VII.4.a., below.

i. The Monitor shall have the ability to communicate with the parties if necessary in his evaluation of individual Consumer Claims.

ii. The Monitor's determination regarding Consumer Claims shall be final as to all Consumers.

iii. Once Defendants have completed the payment of financial restitution provided in paragraph, VII.4.a., below, the Monitor shall, within thirty (30) days thereafter, provide the State with a final accounting of all Consumer Claims, including the final disposition of each Claim, and the specific amount of remediation, if any, to be paid to each individual Consumer, as provided in paragraph VII.4.b., below.

h. The Monitor shall be permitted to retain outside professionals for other services as necessary to assist the Monitor in carrying out his duties under this Consent Order.

i. Within 90 days of the Effective Date of this Consent Order, and quarterly thereafter, the Monitor shall provide a report to the parties on the status of the monitorship. Such report shall include a list of each transaction submitted for approval; copies of purchase and sale documents pertaining to all approved transactions, including HUD closing disclosure forms; an inventory of Consumer Claims received and the status or disposition of such Claims; and an accounting of the Monitor's costs and fees. If Defendants dispute the Monitor's accounting, Defendants may petition the Court for a

determination as to the reasonableness and propriety of such costs and fees prior to payment.

j. If the Monitor becomes aware of a Defendant's potential non-compliance with any provision of this Consent Order, the Monitor shall report such potential non-compliance to the State immediately upon the discovery of such information.

3. The Court shall retain jurisdiction over this matter until the monitorship concludes and all of the terms of this Consent Order are fully and completely satisfied, at which point the Court shall close the file on Case No. 19 CvS 4518 (Wake) and the action shall be deemed concluded in the manner of a dismissal by mutual consent. Notwithstanding the foregoing, Defendants shall continue to comply with all ongoing obligations set forth in Section VI, herein, and such obligations shall remain enforceable by the Court. If the North Carolina Attorney General's Office believes that either Defendant has violated this Consent Order, the North Carolina Attorney General's Office shall provide that Defendant with written notice of the alleged violation. The parties agree to confer in good faith regarding the alleged violation and that the Defendant shall have a reasonable period of not less than 30 days to remedy any alleged violation.

4. This Consent Order shall be governed by the laws of the State of North Carolina. Nothing herein relieves Defendants of their duty to comply with applicable laws of the State of North Carolina nor constitutes authorization by the State for Defendants to engage in acts and practices prohibited by such laws.

5. Nothing herein constitutes approval by the State of any of Defendants' past, present, or future business practices, and Defendants shall not make any representation to the contrary.

6. Defendants acknowledge that they have each provided a financial statement and information to the State, which the State has relied upon in agreeing to this Consent Order. If the State discovers evidence that either of these financial statements and information failed to disclose any material asset, materially misrepresented the value of any asset, or made any other material misrepresentation or omission, the State may seek to reopen this case and litigate this matter as if the Consent Order had not been entered.

7. If any provision(s) of this Consent Order is held to be invalid, illegal, unenforceable, or in conflict with applicable law, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

8. This Consent Order may be amended solely by written agreement signed by the State and Defendants or their authorized representatives and with the approval of the Court.

9. This Consent Order represents the entire agreement between the parties hereto and a complete merger of prior negotiations and agreements.

10. On the date this Consent Order is entered by the Court, it shall become a final judgment of the Court and such date shall be the Effective Date of this Consent Order for all purposes.

11. This Consent Order may be executed in counterparts.

VI. INJUNCTIVE RELIEF

1. Defendants, and their agents, employees, members, successors and/or assigns, shall be permanently enjoined from utilizing "Trust Associates" and/or "Street Smart" form documents in future Acquisitions, sales and leases of real property.

2. Any and all future lease agreements involving residential property situated within the state of North Carolina entered into by Defendants, or their agents, employees, members, successors and/or assigns, as lessor(s), shall be executed using North Carolina Standard Form 410-T or other form approved by the State Bar or North Carolina Association of Realtors. All existing tenancies as of the Effective Date of this Consent Order shall be deemed to have been executed using North Carolina Standard Form 410-T, and governed by the terms therein.

3. Defendants' existing rental agreement contracts, option to purchase real property agreement contracts, independent contractor service agreement contracts, promissory notes executed in connection with independent contractor service agreements, and contractor lien waiver agreement contracts, shall be cancelled pursuant to N.C. Gen. Stat. § 75-15.1, if so desired by the Consumer involved.

4. Defendant J.S. Enterprises of Swansboro, LLC, and its agents, employees, members, successors and/or assigns, shall be permanently enjoined from utilizing land trusts and/or personal property trusts in any future Acquisitions of real property.

5. Defendants shall not Acquire properties subject to existing mortgages without providing the notice to mortgagees as required in the existing mortgage agreements.

6. Defendant J.S. Enterprises of Swansboro, LLC, and its agents, trustees, employees, successors and/or assigns, shall transfer all real property currently titled in the name of a land trust or personal property trust into its own name and record such conveyances in the official county register of deeds office, within forty-five (45) days of the Effective Date of this Consent Order. Defendants shall furnish to the State and to the Monitor a list of all property titled in the name of

a land trust and/or personal property trust contemporaneously with the Effective Date of this Consent Order, including the name of the trustee, and the physical address of the property.

VII. MONETARY RELIEF

1. The independent Monitor shall confirm with all Consumers who presently hold promissory notes from Defendant J.S. Enterprises of Swansboro, LLC whether they would prefer a lump sum payment on their note, or to continue to receive monthly payments for the remainder of the original repayment term. For those Consumers who would prefer a lump sum payment, Defendant J.S. Enterprises of Swansboro, LLC will initiate Commercially Reasonable Best Efforts to sell or refinance the property associated with the promissory note following the conclusion or termination of any existing lease with any tenant (if applicable), or within twelve (12) months from the date of this Consent Order, whichever occurs first. Once Defendants sell or refinance the property, the outstanding note shall be paid in full within seven (7) days of the sale or refinance.

a. If the property has not been sold or refinanced at the conclusion of twelve (12) months, the repayment period shall be extended for an additional twelve (12) month term provided that J.S. Enterprises of Swansboro, LLC continues to make Commercially Reasonable Best Efforts to sell or refinance the property until the property is sold or refinanced, which shall be deemed good cause to extend the term of the Monitor's oversight as provided for in paragraph V.2.f., above. Until Defendants sell or refinance the property, Defendants shall continue to make the monthly payments on time and in full to the payee of the promissory note.

b. If the property associated with the promissory note has already been sold outright prior to the entry of this Consent Order, Defendants will pay the promissory note in full within fourteen (14) days of the Effective Date of this Consent Order.

2. For all Consumers who sold their property to Defendants "subject to" a pre-existing mortgage, J.S. Enterprises of Swansboro, LLC will initiate Commercially Reasonable Best Efforts to sell or refinance the property associated with the mortgage following the conclusion or termination of any existing lease with any tenant (if applicable). The full balance of the outstanding mortgage(s) shall be paid within twelve (12) months from the Effective Date of this Consent Order. Once Defendants sell or refinance the property, the outstanding mortgage shall be paid within seven (7) days of the sale or refinance.

a. If the pre-existing mortgage(s) have not been paid in full at the conclusion of twelve (12) months, the repayment period shall be extended for an additional twelve (12) month term until the property is sold or refinanced, which shall be deemed good cause to extend the term of the Monitor's oversight as provided for in paragraph V.2.f., above.

b. Beginning in month seven (7) from the Effective Date of this Consent Order, and quarterly thereafter, in lieu of a civil penalty, Defendants shall pay \$500.00 to the Monitor to be held in escrow for each property that has not been sold or refinanced during the initial twelve (12) month period, and any subsequent extension as provided in paragraph VII.2.a., above, until the pre-existing mortgage has been paid in full, at which point the funds held in escrow shall be returned to Defendants.

c. If the property sells or is refinanced for less than the balance owed under any pre-existing mortgage(s), Defendants will be responsible for paying the difference

between the sale price or refinance amount and the balance owed to the mortgagee, which shall be paid within seven (7) days of the sale or refinance.

d. If the property has not sold or been refinanced by Defendants after the 24 month period, all funds held in escrow shall be transferred to the Consumer-seller within seven (7) days of the expiration of the 24 month period. Until Defendants sell or refinance the property, Defendants shall continue to make the monthly payments on the pre-existing mortgage(s) on time and in full to the mortgagee, and agree to defend any legal action commenced against any Consumer-seller by the mortgagee if the loan is accelerated due to the sale of the property to the Defendants or for non-payment.

e. If the property associated with the pre-existing mortgage has already been sold outright prior to the entry of this Consent Order, Defendants will pay the outstanding mortgage in full within fourteen (14) days of the Effective Date this Consent Order.

f. The following transaction shall be exempt from paragraph VII.2., above:

i. Defendants shall convey title to the property known as 209 Country Road Jacksonville North Carolina 28546 to Consumers, Kevin & Rebecca Dessert, and shall terminate the existing lease agreement between Defendants and the Desserts within fourteen (14) days of the Effective Date of this Consent Order.

g. The following transactions shall be modified as follows:

i. Sharod Green: As of the Effective Date of this Consent Order. Paragraph 17.B of the Purchase and Sale Agreement signed June 9, 2015, requiring the Mr. Green to pay \$600.00 per month to Defendants shall be

null and void. Defendants shall not undertake any efforts to collect any payments not made by Mr. Green prior to the Effective Date of this Consent Order, and shall not furnish any adverse information to any credit bureaus regarding this transaction.

ii. Albert Pierre, Jr.: As of the Effective Date of this Consent Order, Paragraph 17.B. of the Purchase and Sale Agreement signed October 30, 2013, requiring Mr. Pierre to pay \$150.00 per month to Defendants shall be null and void. Defendants shall not undertake any efforts to collect any payments not made by Mr. Pierre prior to the Effective Date of this Consent Order, and shall not furnish any adverse information to any credit bureaus regarding this transaction.

3. Defendants shall pay the State's costs and attorneys' fees in the amount of \$10,000, payable in increments of \$5,000 per month, due on the 15th of each month, for the first two (2) months from the Effective Date of this Consent Order.

4. Defendants shall pay \$110,000 to the State as a restitution fund.

a. The restitution fund amount shall be payable to the State as follows:

i. Payment of \$1000 per month, on the 15th of the month, for the first two months from the Effective Date of this Consent Order.

ii. Payment of \$6000 per month, on the 15th of the month, in months three (3), four (4) and five (5), from the Effective Date of this Consent Order.

iii. Payment of \$25,000 on the 15th of the month, six (6) months from the Effective Date of this Consent Order.

iv. Payment of \$25,000 on the 15th of the month, nine (9) months from the Effective Date of this Consent Order.

v. Payment of \$40,000 on the 15th of the month, twelve (12) months from the Effective Date of this Consent Order.

b. The Monitor shall review and adjudicate all Consumer Claims for remediation. The State shall distribute the restitution fund to Consumers based on the Monitor's determination of the compensable injury borne by each Consumer asserting a restitution Claim, as provided in paragraph V.2.g., above. After disbursement of all valid Claims by the State, any remaining balance in the restitution fund shall be retained by the Attorney General to be used for consumer protection purposes, and any other purposes allowed under state law, at the sole discretion of the Attorney General. However, excluding the monetary relief set forth in paragraphs VII.1., VII.2., and VII.3., above, in no event shall Defendants be liable for payment of any amount in excess of the restitution fund amount set forth above. If all valid Consumer Claims exceed \$110,000 in the aggregate, then the Claims will be paid to eligible Consumers on a pro-rata basis.

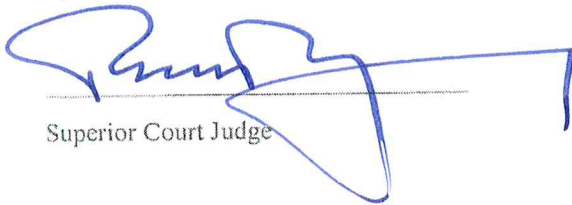
i. The State shall endeavor to administer and distribute the restitution fund in accordance with the following schedule:

Event	Deadline
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State provides notice and restitution Claim Form (Exhibit A) to Consumers	Within 45 days after Effective Date of this Consent Order
Deadline for restitution Claim Form	3 months after Effective Date of this Consent Order
Monitor provides accounting to the State for disbursement of restitution funds	13 months after Effective Date of this Consent Order
State distributes restitution funds	Once Defendants have paid all restitution pursuant to paragraph 4.a., above, and Monitor has provided accounting for disbursement

SO ORDERED, ADJUDGED, and DECREED this 17th day of September 2020.

By the Court:



Superior Court Judge

Paul C. Ridgeway Senior Resident Superior Court Judge

[Signatures of the parties on following page]

CONSENTED TO:

STATE OF NORTH CAROLINA

ex rel. JOSHUA H. STEIN

Attorney General



By: Keith T. Clayton

Special Deputy Attorney General

JAMES MORRIS STALLINGS, III



By: James Morris Stallings, III

In his individual capacity

J.S. ENTERPRISES OF SWANSBORO, LLC



By: James Morris Stallings, III

Member-manager of

J.S. Enterprises of Swansboro, LLC